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June 23, 2006

VIA ELECTRONIC FILING

Charles L. A. Terreni, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Request of South Carolina Electric & Gas Company to amend the Commission Accounting Letter issued on June 21, 2000 related to the Company's investment in synthetic fuel partnerships.
(Placed by the Commission under Docket No. 2004-178-E – Application of South Carolina Electric & Gas Company for Adjustments in the Company's Electric Rate Schedules and Tariffs)

Dear Mr. Terreni:

This is to acknowledge that the South Carolina Office of Regulatory Staff (ORS) has reviewed the above referenced filing and met with South Carolina Electric & Gas Company (SCE&G or Company) representatives to discuss this matter. In an effort to mitigate losses due to the possibility of diminished Federal tax credits associated with the Company's investment in synthetic fuel facilities, the Company, along with its investment partners, has devised a strategy to allow the continued operation of these facilities in lieu of an immediate shut down under current economic conditions. The Federal tax credits are subject to being phased out as the market price of oil escalates, and higher oil prices in 2006 have created a situation where these credits could be drastically reduced or eliminated. Some of the other synthetic fuel producers across the country have already shut down or idled operations as a result of these economic conditions. SCE&G and its partners' synthetic fuel operations have been able to remain viable longer due to their relatively lower operating costs.

ORS appreciates the Company's efforts to extend and continue the operation of these facilities which have accrued significant benefits to the Company's South Carolina retail ratepayers during the program's existence. Based upon ORS's analysis, we agree with the Company's efforts to minimize potential losses by suspending certain benefits to allow for continued operations while monitoring economic conditions. As proffered by the Company, ORS concurs that as soon as market prices allow, the suspension of benefits should end. ORS has discussed with SCE&G how credits would be made to its fuel cost accounts in the event that suspended discounts are subsequently confirmed or qualified after the close of the tax year in which they otherwise would have been received. ORS believes that SCE&G should recognize credits to fuel cost accounts immediately when distributions of partnership benefits occur. The amount of the credit should reflect the percentage of the potential tax credits that are confirmed or qualified for the tax year. Accordingly, if the partnership receives 50% of the tax credits for the tax year,

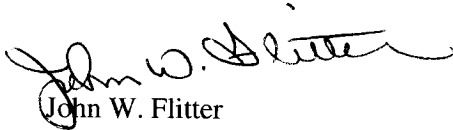
then an amount equal to 50% of the suspended discounts should be credited to SCE&G's fuel cost accounts. This approach will result in an equitable allocation of benefits from such distributions to SCE&G's fuel costs for the benefit of SCE&G's current customers.

ORS has discussed this allocation methodology with representatives of SCE&G and has been authorized to inform the Commission that SCE&G consents to it.

In order to monitor and keep abreast of this issue, ORS requests the Company provide to ORS a monthly status report provided by the 30th day following the end of the month, reflecting the effect of then current and projected oil prices on the profitability of the synthetic fuel operations. These status reports should include updates to fact sheets for the Wateree and Canadys facilities provided to ORS during its initial review. In conjunction with ORS's responsibility and as provided in the Company's filing, the ORS would retain full audit rights as to these matters.

Thank you for the opportunity to provide our comments in this matter.

Sincerely,



John W. Flitter

JWF/swh

cc: Dr. James Spearman, Executive Assistant to PSC SC
Belton T. Zeigler, Counsel for SCE&G
Patricia B. Morrison, Senior Counsel, SCANA
Kenneth R. Jackson, Director, Rates and Regulatory Affairs, SCANA
C. Dukes Scott, Executive Director, SC ORS
Dan F. Arnett, Chief of Staff, SC ORS
Shannon Bowyer Hudson, Counsel, SC ORS

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